



September 15, 2006

Ms. Suzanne C. Marchand
Finance Director / Treasurer
Town of Westford
Town Hall
55 Main Street
Westford, MA 01886

RE: Private Use of the East Boston Camps property

Dear Suzanne:

With reference to our several conversations last week, I have summarized here the general points associated with possible contract services at the Town's East Boston Camps property. In particular, you asked about the tax law issues that may be raised if the Town continues to contract with an outside party to manage the summer program, and perhaps other programs, at the East Boston Camps.

I have discussed the issue with Rick Manley, at Ropes & Gray; and I have also copied this letter to him. Rick strongly recommends, and I concur, that we have a conference call between all the appropriate parties, including a member of Ropes & Gray's Tax Department, to review the issue. This letter is only intended to be an overview of the potential tax law implications; we should all have the opportunity to talk specifically about how the Town might proceed and how those plans might affect the tax-exempt status of the bonds you have issued.

In general, a management contract between a private party and the Town is allowed if very strict constraints on the contract terms are complied with. A management contract would be allowed (1) if the compensation method is predominantly a specified fixed fee, with none of the compensation based on the net profits from the operation of the Camps, (2) if the contract term, including renewal terms, does not exceed a certain specified period of years, and (3) if the Town has the periodic right to terminate the contract without penalty or cause.

For example, if the Town enters into a contract where fifty percent of the compensation is derived through a period fixed fee (with none of the compensation based on net profits), then the contract term could not exceed five years, including renewal terms. In addition, the Town must have the right to terminate the contract without penalty after the third year.

I understand the Town did allow an outside firm to operate the camp this past summer, and that firm enjoyed the benefit of all the net revenues associated with the Camp use. This type of contractual relationship is prohibited, and continued use of the facility in this manner will jeopardize the tax-exempt status of the bonds.

As previously mentioned, Rick and I recommend we convene a conference call to review these contractual constraints.

I hope this is helpful. Please feel free to call me at (508) 849-4224 with any questions or comments.

Yours truly,

A handwritten signature in black ink, appearing to read 'C. Rowell', with a long horizontal flourish extending to the right.

Clark H. Rowell
Vice President

cc: Richard Manley, Ropes & Gray